

Notes on Soviet Economic Penetration

Soviet GNP 1957 about \$170 billions.

At present rate of growth, will be \$225-235 billions ~~by 1960~~.

Present exports (1957) of USSR about  $2\frac{1}{2}\%$  of GNP, \$4 billions.

Compares with about 4% for US, \$18 billions. USSR needs only to bring its exports to 5% of GNP to equal present export trade of UK or West Germany.

USSR has extended considerable assistance to other Bloc countries. Since early 1956 about \$1.3 billions in credits plus small amount in grants. Credits and grants to free world countries about \$1.5 billions over past 4 years.

Small burden on USSR. Not ~~less~~ than  $\frac{1}{2}$  of 1% of GNP per year.

When Soviet spokesmen declare they are willing to provide anything the underdeveloped countries request that is within the capability of the USSR, they are not necessarily making an empty gesture.

Could double present size of foreign assistance program without serious internal strain.

Soviet trade with free world now almost entirely on a bilateral basis. So far, this has not prevented trade from expanding rapidly. May be more restrictive in the future. Trade with underdeveloped countries now running about \$700 millions a year for USSR. Trade of Sino-Soviet Bloc as a whole with underdeveloped countries about \$2 billions a year. In contrast, trade

- 2 -

between US, UK, and West Germany combined with underdeveloped countries over \$28 billions annually. (US, \$13 billions total trade. US exports to underdeveloped countries, about 2% of GNP, imports about 1% of GNP). Tremendous room for Soviet expansion.

Ways:

- 1) Economic and military assistance program.

Credit program important here, but only one factor.

- 2) Since 1953 trade not directly related with economic assistance has increased about 25% annually.

Bloc aid offers made to Turkey; Iran far in excess of what has been accepted. In Africa, offers to the Sudan, Morocco, Tunisia and Lybia have not been accepted to date, despite internal pressure for economic development and a growing need for foreign assistance to carry out such programs. Only 16 Free World countries have accepted Bloc credits; 95% has gone to 9 countries.

#### Technical Training Program

Over 400 non-military students from underdeveloped countries now studying in the Bloc. USSR announced in the UN that it was willing to receive 1,000 students and trainees. Egypt, Syria, Indonesia, Sudan, Yemen. Each year, over 4,000 overseas Chinese go to Communist China to study.

#### Trade with Sino-Soviet Bloc and the US as Per Cent of Total Trade

1957

Bloc

US

Afghanistan

40

NA

- 3 -

	<u>1957</u>	
	<u>Bloc</u>	<u>US</u>
Burma	10	NA (was 1% in 1956)
Egypt	36	6
Greece	8	18
Iran	15	13
Iceland	34	12
Syria	14	9
Turkey	13	29
Yugoslavia	22	24

Commodity Composition to Underdeveloped Countries

<u>USSR Exports</u>	<u>USSR Imports</u>
Rolled steel	Food products (fish, sugar)
Cement	
Cotton textiles	Crude materials (cotton)
Machinery	
Petroleum	

Satellites

Industrial products	Foodstuffs and crude materials
---------------------	-----------------------------------

US and Sino-Soviet Bloc Aid

Totals, 1 July 1955 - 31 Dec 1957

During this  $2\frac{1}{2}$  years; military plus economic:

Bloc to Free World Countries, \$1.9 billions

- 4 -

US Gov't. (MSA, PL480, Ex-Im. bank) \$8.0 billions)  
US & Western Europe Financial Institutions and }  
other Free World Gov'ts. } \$10.5  
\$2.5 billions) billions

Major US aid to South Korea, Viet Nam, Taiwan \$3 billions.

US and Sino-Soviet Bloc Credits and Grants

(millions of \$)

	<u>US</u>	<u>Bloc</u>
Afghanistan	47	161
Burma	43	42
Cambodia	146	22
Ceylon	11	19
Egypt	16	487
India	419	272
Indonesia	124	109
Syria	-	294
Yugoslavia	276	464

Represents total economic and military commitments (extensions)

1 July 1955 - 31 December 1957.

Characteristics of Bloc Programs in underdeveloped areas

A. Usually prescribed on an integrated basis:

1. Line of credit
2. Technical assistance and training
3. Increased trade opportunities.

- 5 -

Has great appeal, particularly if underdeveloped country is having difficulty in marketing its exportable products at adequate prices.

In contrast, US program more isolated. In particular, trade usually a matter outside scope of responsibilities of mutual security officers.

B. Almost entirely a credit program

1. Interest rates  $2\frac{1}{2}\%$ .
2. Repayment usually begins after project is in operation.
3. Amortization period 12 years.

US interest rates higher. Development Loan Fund repayment in 40 years, 30 years for Ex-Im. Bank.

C. Generally covers only Foreign Exchange Costs.

D. Usually related to Industrial Development

Sugar mills, cement plants, etc. Not for sanitation, sewage, housing, etc.

E. Independent of Military Pacts.

20% of Bloc credits for arms, 30% of US for arms.

No free world underdeveloped country receiving Bloc military or economic assistance is a member of a Bloc military alliance. This practice disarms many.